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FISCAL IMPACT STATEMENT

LS 6305
BILL NUMBER: SB 87

NOTE PREPARED: Jan 31, 2003
BILL AMENDED: Jan 30, 2003

SUBJECT: TRF Benefit Payments.

FIRST AUTHOR: Sen. Harrison
FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: GENERAL
X DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: (Amended) This bill: (1) eliminates the requirement that the last retirement benefit paid by the Teachers' Retirement Fund (TRF) be prorated to terminate at the member's death; (2) provides that a surviving spouse or dependent entitled to a statutory benefit may be designated as a beneficiary for the Annuity Savings Account of a member of the Public Employees' Retirement Fund (PERF) or TRF: (3) permits a PERF and TRF member who is receiving a retirement benefit to change the member's payment option and beneficiary in certain circumstances. (The introduced version of this bill was prepared by the Pension Management Oversight Commission.)

Effective Date: July 1, 2003.

Explanation of State Expenditures: *Part (1):* This part is estimated to cost between $150,000 and $200,000 per year. The fund affected is the Non-Budget Administration Fund. In addition, there could be some administrative savings associated with not sending out partial payments.

Background Information - Part (1): The TRF ranges from 50 to 75 partial payments per month. The payout is slightly less than one-half the normal monthly payment for a deceased member or survivor. For the current month, the partial payout was about $20,000, while the normal payroll would be about $42,000.

Part (2): This provision could increase costs to the funds, but it will depend upon the number of such instances.

Part (3): This provision does not contain any fiscal impact because the actuarial options factors are calculated in such a manner as to permit such changes in benefit options and beneficiaries in the special circumstances contained in the amendment. Any such change in the benefit option or beneficiary creates an actuarial cost, but this cost is borne entirely by the member.

However, elimination of the five-year certain option is intended to prevent abuse of this option and could reduce expenditures from the fund. For example, an eligible member near death could extend the benefit payments to a beneficiary for up to an additional five years, even after death of the member.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Teachers' Retirement Fund; Public Employees' Retirement Fund.

Local Agencies Affected:

Information Sources: Dr. William Christopher, Director of the Teachers' Retirement Fund, 232-3869; Doug Todd of McCready & Keane, Inc., actuaries for PERF, 576-1508; Mary Beth Braitman, of ICE Miller, outside counsel for both PERF and TRF, 236-2413; Ed Gohmann, Fund Counsel for the Public Employees' Retirement Fund, 233-4132; Tom Davidson, General Counsel of the Teachers' Retirement Fund, 232-3863.

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